

Review of States' Finance Models

We asked NGA to review three state models

- Arkansas
- Indiana
- Wyoming

In addition, they reviewed

- Oregon
 - Minnesota
 - Texas
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Key findings

- ▶ Almost all states reviewed use a “foundation formula” model similar to Arizona
 - There are several notable exceptions
- ▶ Many create additional performance incentives
 - Several are very appealing for Arizona

Notable exceptions to Foundation Formula Funding

- ▶ Wyoming – evidence based model similar to ABEC proposal
 - Other states have explored but have not adopted b/c of resulting funding increases
 - Evidence-based approaches for determining costs include
 - Small class size
 - Teacher specialists in art, music and PE
 - Planning and collaboration time
 - Student level interventions
 - Instructional coaches
 - Professional development
 - Funding is dispersed as “block grant” with great flexibility

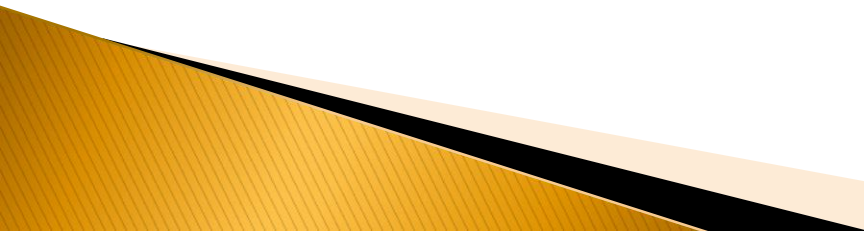
Notable exceptions to Foundation Formula Funding

- ▶ Arkansas – Base funding is a yearly calculation rather than a set policy
 - Starts with “amount of available school funding” divided by number of students in the state
 - See NGA memo for more detail on the exact equation.
 - Then the weights for each student are applied.

Notable exceptions to Foundation Formula Funding

- ▶ Oregon – New in 2011, all funding goes through a special board
 - Chaired by the Governor
 - Funding teams provide recommendations to the Governor
 - Recommendations based on meeting the states grad rate and post-secondary goals
 - All other education related entities in OR must submit performance plans to the Board

Notable Performance Incentives

- ▶ Arkansas – \$50 per student receiving a 3 or better on AP or IB
 - ▶ Indiana – \$225 per CTE credit hour for areas with high need or wage
 - ▶ Minnesota – \$50 million statewide for passing 3rd grade reading or growth in 4th grade
 - ▶ Texas – Drop out recovery programs get \$2,000 more per student for meeting student performance goals – even more for graduation
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Next Steps

- ▶ Evaluate notable ideas for budget impact
- ▶ Evaluate notable ideas for political viability

Appendix: State models

Arkansas

- Uses a modified foundation, weighted base formula model
- Method for calculating base is unique – foundation amount is equal to the amount of available school funding divided by the total number of students in the state.
- Includes a performance component in one of the categorical funds available to schools
 - ✓ Advanced Placement Incentive awards schools up to \$50 for each score of a 3 or better on AP exam or equivalent on IB exam – funds must be used for these programs. Legislature appropriated \$825,000 in 2011–2012 school year for this program

Indiana

- Uses a base funding model multiplied by weights
- Base model also provides additional six categorical funding streams, two of which are connected to performance
 - ✓ The Academic Honors provides schools with \$900 for students who received an academic honors diploma in the previous year
 - ✓ The CTE Grant provides \$225 per CTE credit hour that have more than a moderate market need or wage
- State offers incentives for schools that demonstrate the greatest annual growth in graduation rates

Wyoming

- Since 2006–2007 has used an evidence based funding model
- Uses professional judgment panels to identify baskets of educational goods and services needed to serve students
- Also compensates for small schools/districts
- Funds distributed in an education resource block grant model – do not stipulate how funds are spent
- Makes funds available for summer school, extended day, and instructional facilitators through categorical programs

Oregon

- In 2011 created Oregon Education Investment Board – chaired by the Governor
- Legislation provides the OEIB with authority over ALL education funding
- The legislation requires all segments of the K–16 continuum enter into an achievement compact with the OEIB
- Compact identifies a small set of performance measures aligned to the state's goals
- In the future, state plans to tie performance to funding

Minnesota

- Beginning in 2013 school districts can receive Incentive Literacy Aid based on a percentage of students who meet or exceed proficiency on the third grade reading assessment and the percentage of students making medium or high growth on the fourth grade reading assessment
- Approximately \$50 million has been appropriated for this performance incentive

Texas

- In 2008 the state created the Collaborative Dropout Reduction Pilot Program
- Provides grants to eligible entities to identify and recruit students who have dropped out
- Entities can receive up to \$2,000 per student above base state funding when a student meets certain achievement benchmarks
- Larger monetary incentives are offered to encourage terminal outcomes such as graduation